

Budget Brief – Human Resource Management (ISF)

NUMBER CFGO-08-21

SUMMARY

The Department of Human Resource Management (DHRM) Internal Service Fund (ISF) was established by House Bill 269 in the 2006 General Session, effective July 1, 2006. Internal Service Funds employ business practices to provide a service or product for other state and governmental agencies. Typical services include large functions that can be centrally administered.

Upon establishing the ISF, DHRM consolidated all human resource employees statewide. Whereas previously most HR staff in the “field” worked for the agency where they were housed, they now work for DHRM though they may remain in the same location. The consolidation should allow for efficiencies by avoiding duplication of effort, particularly in rural or otherwise remote locations. Consolidation should also result in better control and coordination over HR functions.

The Internal Service Fund has two programs:

- Human Resource Field Services
- Payroll Field Services (optional)

ISSUES AND RECOMMENDATIONS

FY 2009 Rate Increases

FY 2007 was the first year of operation for the DHRM Internal Service Fund. The rates for FY 2007 were calculated and approved by the 2006 Legislature by dividing the total budgets for HR services and payroll services by the total number of customer agency FTE. This resulted in a HR Field Services annual rate of \$520 per FTE and a Payroll annual rate of \$130 per FTE.

In FY 2008 the HR Field Services rate increased from \$520 to \$561.25 per agency FTE. In FY 2009 the department proposes to raise the rate from \$561.25 to \$613 per FTE. These large rate increases are primarily due to the compensation packages approved in the prior year’s budget. When the Legislature approves a Cost-of-Living adjustment and/or a benefit increase, the internal service fund is required to provide these increases to its employees. However, because an internal service fund operates on fees for services, the Legislature does not appropriate any funds to offset the increased compensation and benefits. The ISF must recoup these costs by raising its rates the following year.

Figure 1: ISF - Human Resource Management - Budget History

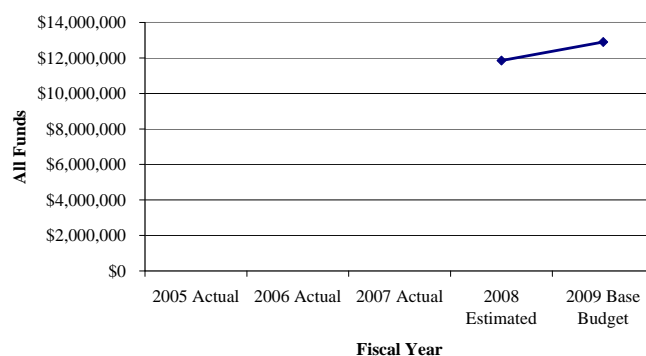


Figure 2: ISF - Human Resource Management - FTE History

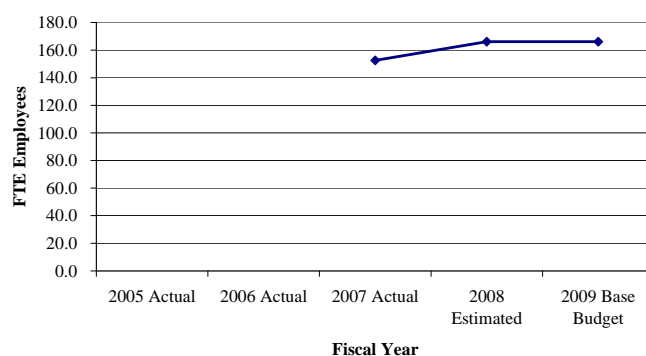
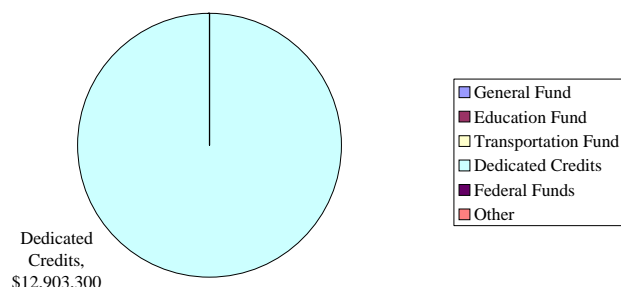


Figure 3: ISF - Human Resource Management - FY 2009 Funding Mix



Rate Change for FY 2009

In accordance with UCA 63-38-3.5, the following fees are proposed for the services of the Department of Human Resource Management in FY 2009:

	FY 2008 Current	FY 2009 Proposed	Difference	FY 2009 # Units	Revenue Change
Field Services (per actual FTE)	561.25	613.00	51.75	20,827	1,077,800
Payroll Field Services (per actual FTE)	130.00	115.00	-15.00	9,453	-141,800

FTE Decrease

Through internal efficiencies the Department of Human Resource Management has been able to reduce the number of FTE in the internal service fund by two. The Analyst therefore recommends decreasing the authorized FTE amount from 166.1 to 164.0.

ACCOUNTABILITY DETAIL***Ratio of HR field staff to agency staff***

The ratio of HR field staff to agency employees should be kept as low as possible while still delivering quality service. The current ratio is 1:101. This and other performance measures will be developed and tracked as the program matures.

BUDGET DETAIL

The HR Field Services program is the primary program for delivery of services to state agencies. This program delivers frontline services in major functional areas including recruitment, training and development, classification, management of grievances and application of DHRM policies. The DHRM administrative staff (appropriated budget) sets the guidelines for Field Services, evaluates their performance and governs their workload.

The Payroll Field Services program is optional for agencies that wish to purchase payroll administration rather than use internal staff. Payroll work is cyclical and agency staff assigned to it normally performs other functions as well. Fewer agencies than originally estimated are using the service right now.

LEGISLATIVE ACTION

The Analyst recommends the Legislature consider adopting:

1. Estimated revenues of \$12,903,300
2. Rates as presented on page 2
3. Authorized FTE of 164.0
4. No authorized capital outlay

BUDGET DETAIL TABLE

ISF - Human Resource Management						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
Dedicated Credits - Intragvt Rev	11,297,100	12,137,300	(276,700)	11,860,600	1,042,700	12,903,300
Total	\$11,297,100	\$12,137,300	(\$276,700)	\$11,860,600	\$1,042,700	\$12,903,300
Line Items						
ISF - Field Services	10,251,800	11,047,600	(223,700)	10,823,900	1,169,300	11,993,200
ISF - Payroll Field Services	1,045,300	1,089,700	(53,000)	1,036,700	(126,600)	910,100
Total	\$11,297,100	\$12,137,300	(\$276,700)	\$11,860,600	\$1,042,700	\$12,903,300
Categories of Expenditure						
Personal Services	10,438,800	10,757,100	773,400	11,530,500	0	11,530,500
In-State Travel	26,000	17,900	19,100	37,000	0	37,000
Out of State Travel	6,000	52,100	(33,100)	19,000	0	19,000
Current Expense	270,200	836,600	(436,500)	400,100	50,100	450,200
DP Current Expense	165,300	499,700	(126,200)	373,500	0	373,500
Other Charges/Pass Thru	0	0	0	0	43,000	43,000
Total	\$10,906,300	\$12,163,400	\$196,700	\$12,360,100	\$93,100	\$12,453,200
Other Data						
Budgeted FTE	165.6	166.1	0.0	166.1	(2.1)	164.0
Actual FTE	152.5	0.0	0.0	0.0	0.0	0.0
Retained Earnings	390,800	(828,200)	703,700	(124,500)	450,300	325,800

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.